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European Union

Agricultural Situation

New report recommends reducing the CAP

2003

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Report Highlights:
On July 18, 2003 a report by the Independent High Level Study Group, established by current EU President Prodi, was released. The report recommends cutting CAP spending to one-tenth of its current level in order to redistribute the EU budget and meet long term economic goals.

Includes PSD Changes: No
Includes Trade Matrix: No
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Summary
On July 18, 2003 a report by the Independent High Level Study Group, a respected group of EU academics led by André Sapir and established by current EU President Prodi, was released. The report evaluates the EU's economic performance in terms of stability, cohesion, and growth as well as provides recommendations for the future. Among other highlights, the report recommends cutting CAP spending to one-tenth of its current level in order to redistribute the EU budget and meet long term economic goals.

Background
The analysis provided in the report finds that EU budgetary expenditures, revenues, and procedures are inconsistent with the present and future state of EU integration. In order to synchronize the budget with the EU's long-term economic performance, a major overhaul of budgetary outlays is necessary. Spending would be categorized into three funds that are compatible with economic performance goals including a fund for economic growth, convergence, and restructuring.

The means to the end recommended by the report in terms of the budget overhaul is through heavy reductions in agricultural spending, reducing the size of the CAP to one-tenth its current size. This recommendation is supported by four observations on EU policy: 1. The size of the CAP is so large and a cumbersome percentage of the total EU budget that, without restricting it, no significant reallocation of resources within the EU budget at its current size is possible. 2. The CAP has moved away from being an allocative policy that promotes efficiency and production, rather it is a distributive policy for a specific group of constituents. 3. The enlarged EU represents substantial diversity in population density, income, land tenure, and climate that a single, homogenous policy is not optimal. 4. Lastly, the current CAP does not appear compatible with the Lisbon goals, specifically, the value for money contribution to EU growth and convergence from the CAP does not adequately compare to other policies.

In addition to reducing the size of the CAP, the report recommends that distribution of funds be through Member State governments rather that the enlarged EU. Other distributive policies are currently administered through the Member States. CAP funding should not distort competition and be compatible with the common market. Policies that promote restructuring of economically unproductive sectors, including rural development, would remain under the EU in the restructuring fund. Other functions that directly encourage cohesion of less-favoured national economies, not regions, with wealthier ones and policies would remain under direct control of the EU.

Although the Independent High Level Study Group was established by President Prodi, a spokesman for President Prodi made clear that this was an independent group and that in no way did the findings represent the official opinion. Commission officials have also distanced themselves from the report.

The full report can be accessed at:
<http://europa.eu.int/comm/lisbon_strategy/pdf/sapir_report_en.pdf>.

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